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MONEY WELL SPENT?

S&MM LOOKS AT THE USDA's MARKET PROMOTION PROGRAM

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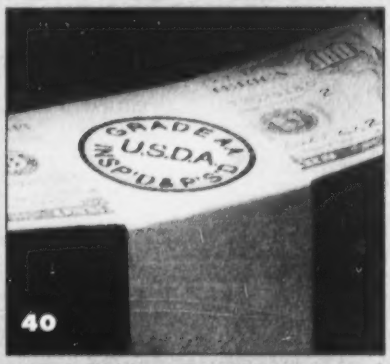

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COVER BY CARL FLATOW

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MONEY WELL SPENT?

BY BETSY WIESENDANGER,
SENIOR ASSOCIATE EDITOR

The plot goes something like this: The U.S. farmer complains that his products can't compete overseas. Thanks to tariffs and quotas and all sorts of trade barriers, he can't profitably export his prunes and pineapples and grain and oats. He pleads for help to sell his crops and make a buck, just as any other American business does.

The senators and congresspeople from the farmers' home districts are only too happy to help. "We don't want to be accused of neglecting our constituents," they say. "What we want is to be seen as decisive leaders who aren't afraid to flex some muscle. After all, we need to earn that healthy pay raise we voted ourselves back in December."

So here's what the boys in Washington tell the farmers: "We'll give your trade associations some money they can use to think up clever ads and put stickers on packages and tell the Japanese they should be wanting some of that good ol' American beef and down-home whiskey. All it'll take is a little marketing. Get those foreign consumers to long for American food. They want it, all right; they just don't know they want it."

Naturally, this sounds good to the farmers.

So the people in Washington pass a bill that creates something called the Market Promotion Program (MPP). The MPP authorizes the U.S Department of Agriculture (USDA) to dole out $200 million to help associations promote agricultural products in foreign countries. Money changes hands. Everyone is happy.

Well, almost everyone.

Enacted in 1990 as part of the Farm Bill, the MPP allows participating associations and consortiums to use USDA funds in two ways: Groups can use the money to mount generic promotions urging overseas consumers to buy American commodities, or they can distribute funds to individual corporations. These corporations, in turn, put the money toward promoting high-value products overseas.

And just what, one might ask, does "high-value" mean? It's really nothing more than a nice way of saying "processed." The rationale reads as follows: People don't buy cotton or soybeans or sugar cane. They buy underwear and cooking oil and chocolate bars. Therefore, we should be promoting the products that use these raw materials, besides promoting the raw materials themselves. That's how the United States will regain lost ground in the export market.

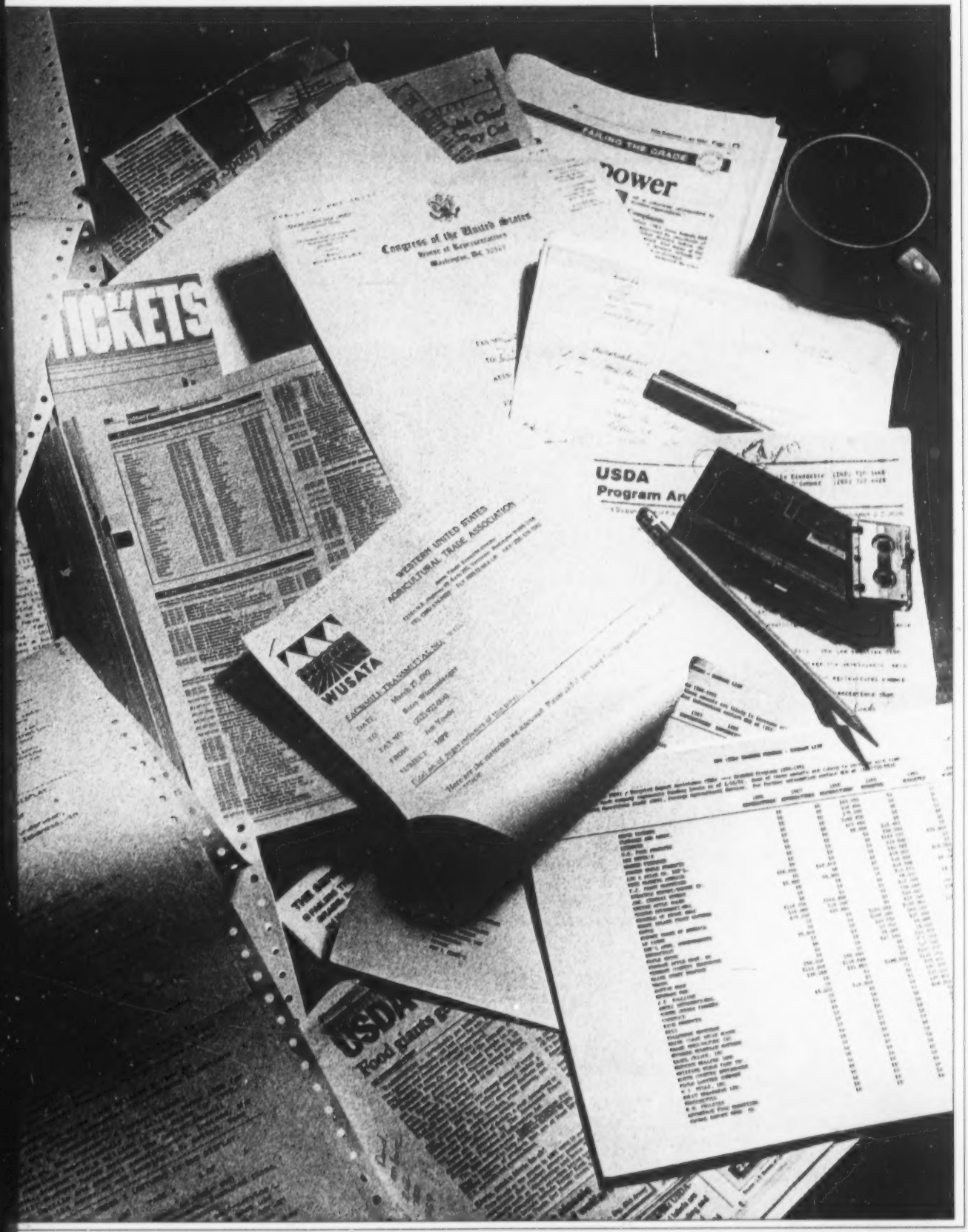
The associations, of course, agree with this line of logic. They divvy up the big money among the big companies in amounts like $900,000 and $2.3 million.

Then things start smelling bad. It seems that the average taxpayer, whose money is bankrolling the program, can't find out how the bucks are being spent. Newspapers start questioning the wisdom of funneling taxpayer dollars to multibillion-dollar corporations. And when an ad agency nearly succeeds in bilking one association out of $1.8 million, eyebrows are raised even higher. Questions are asked. Stories are written. Congressional hearings are scheduled.

Fearful that the MPP purse will be snapped shut, agriculture associations and lobbyists fight back. They argue that it's about time somebody did something to give American commodities a fighting chance. This program has done some real good, they say. It has created

An inspired bit of marketing? Or just another example of government mismanagement and pork-barrel politics? *S&MM* looks at the USDA's Market Promotion Program.

CARL FLATOW


FAILING THE GRADE
Congress of the United States
House of Representatives
Washington, DC
WESTERN UNITED STATES
AGRICULTURAL TRADE ASSOCIATION
WUSATA
USDA

jobs, pumped up exports, and generated revenue for just about everyone in the food marketing chain.

At present, nothing has been resolved. Each faction continues to battle to protect its own interests, with accusations and pithy sound bytes being lobbed like grenades into the enemy's territory.

And that, folks, is the quasi-fictionalized tale of the MPP, a program so laden with political innuendo and so burdened with bureaucratic inefficiency that it has become, for some, a symbol of everything that's wrong with the federal government.

Some story, huh?

Still, why should you care about all of this? There are two reasons. First, it's your tax money that's funding this program. Second, if you manufacture food products covered under the MPP, you have a stake in who gets the money and how it's spent.

But let's back up for a moment and pose a few questions: Has the program really helped farmers sell commodities? Who's monitoring the spending? Do companies with multibillion-dollar profits really need government assistance to market their products? And finally, why has the program become so tainted?

TO MARKET, TO MARKET

This Byzantine sequence of events began back in the late 1980s, when word reached Congress that the U.S. food industry—the people who grow, pick, process, and package food—was losing ground to foreign competitors. Basically, tariffs and quotas and various restrictions on imports made U.S. products so expensive in other countries that people didn't want to buy them. What angered U.S. farmers and food companies most, however, was the fact that the United States, unlike a lot of other countries, didn't provide all sorts of government subsidies to help export domestically made products.

"Even the score!" was the battle cry. So in 1990, the score was evened—or so many thought—with the creation of MPP.

"This program is essential for U.S. agricultural interests to survive in a very competitive world," says Bruce Andrews, president of the Western U.S. Agricultural Trade Assn. "If the world marketplace was readily accessible and free of trade distortions, programs such as MPP would be unnecessary. But in reality, no such playing field exists."

To get the money, associations such as the California Prune Board and Asparagus USA had to submit an appli-

The Quarter-Million-Plus Club

Here's a list of companies that received $250,000 or more in MPP funds in 1991 to help them market their products overseas. Some companies appear more than once because they received funding from different associations to market different products.

COMPANY	PRODUCT CATEGORY	1991 MPP ALLOCATION
Sequoia Enterprises	citrus	$9,999,656
Blue Diamond	almonds	6,216,900
Gallo	wine	5,121,000
Sunsweet Growers	prunes	3,740,000
The Pillsbury Company	corn	2,945,850
Sun-Maid	raisins	2,822,500
John West Foods*	seafood	1,600,000
Welch's	grapes	1,214,000
American Legend	mink	1,168,000
Ocean Spray	cranberries	1,000,000
Dole Fresh Fruit Co.	citrus	981,200
Brown-Forman	liquor	910,000
YG Urban*	cotton	860,000
Wrangler*	cotton	840,000
Hudson's Bay	mink	812,000
Borges*	walnuts	800,000
Heublein	wine	781,390
Vintners International	wine	758,550
Jim Beam Brands	liquor	728,000
Bobson*	cotton	648,000
Seagram	wine	525,000
M&M/Mars	chocolate	522,000
Dole Dried Fruit	almonds	489,720
Cal Prune Packing	prunes	487,000
Mariani Packing	prunes	460,000
Hansa Pacific	almonds	413,000
Dole Dried Fruit	prunes	410,000
Jil*	cotton	382,500
Sebastiani	wine	370,000
Valley View Packing	prunes	346,000
Fruit of the Loom*	cotton	344,737
Schenley International	liquor	339,000
Closed*	cotton	335,000
Dole	raisins	320,000
Master Foods	rice	300,000
Yetis*	rice	300,000
New Man*	cotton	290,000
Glen Ellen	wine	282,750
Toyobo*	cotton	280,000
Tri-Valley	tomatoes	280,000
Austin Nichols & Co	liquor	253,000
American Rice, Inc.	rice	250,650
Diamond	walnuts	250,000
Dole Dried Fruit & Nut	dates	250,000
Nestlé*	peanuts	250,000
Princess Foods*	seafood	250,000

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cation to the USDA, telling how the association planned to use the funds (i.e., TV commercials, in-store displays, or product sampling) and how results would be measured. Also, for each dollar awarded by the USDA, the association had to kick in at least a dollar of its own.

So far, so good, right? What, then, has consumer advocates, journalists, and politicians so up in arms?

One source of controversy is a stipulation that one-third of MPP funds go to individual companies for brand-name product promotions. That's why, for instance, M&M/Mars got $522,000 to pump up exports of its candy to foreign markets.

Unfortunately, that's also what has many people hopping mad. Why, say critics, should a company as mammoth as M&M/Mars get half a million dollars of taxpayers' money to essentially do something they were already doing?

When we called M&M/Mars to ask that very question, Hans Fiuczynski, the company's external relations director, had this to say: "I'm personally a bit philosophical about it. [The MPP] was something that was written in the law, like the [tax] deduction for home mortgage interest." In other words, if the government offers it, take it.

We also asked what M&M/Mars had spent its $522,000 on. All Fiuczynski would say is that the money helped "accelerate the growth of certain Southeast Asia markets that will remain nameless, and other markets in Central and South America." He declined to get any more specific than that, except to confirm that these markets are ones the company had already penetrated.

We then contacted several other MPP recipients. Hershey Foods, for one, was mum about what it did with the $224,000 it received. A spokesperson for the company cryptically explained that "we haven't offered interviews" on the subject. Numerous other MPP recipients, including pet food manufacturer The Iams Company and Brown-Forman Corp., makers of Jack Daniel's whiskey, didn't return our calls.

And it seems that Congress hasn't had any more luck than we did getting answers. Senators Richard Lugar (R-Ind.) and Patrick Leahy (D-Vt.) of the Senate Agriculture, Nutrition, and Forestry Committee, asked the General Accounting Office (GAO) to determine whether sound accounting procedures were being used to track MPP expenditures. Among the GAO's findings: Where the money goes has been poorly monitored: MPP provisions that specific percentages of a product must be made of U.S. commodities were spottily enforced; and funding decisions have been poorly documented. A case in point: One MPP recipient, the American Soybean Assn., was nearly bilked of $1.8 million in fraudulent fees. A subcontractor submitted phony bills, the error discovered only after a disgruntled ex-employee of the firm blew the whistle.

Senator Tom Daschle (D-S.D.) thinks the whole thing reeks of corruption and mismanagement. "The perception is that this is an international corporate slush fund that doesn't help U.S. businesses that much—and farmers even less."

There's more. An investigation by Jeff Taylor and Mike McGraw, reporters from the *Kansas City Star* who won a 1992 Pulitzer Prize for exposing the USDA's failings, revealed that the USDA frequently had no idea how the money channeled to individual corporations was spent. According to Norm Kallemeyn, deputy assistant administrator of commodity and marketing programs for the Foreign Agricultural Service (the group within the USDA that administers the MPP), it approves only the *criteria* by which associations decide how much money companies receive.

"There's no direct contact per se between the USDA and the private companies that get money to carry out brand promotion," says Kallemeyn. "We're sort of one step removed." Essentially, this means that the trade groups themselves—not the Agriculture Department, taxpayers, or any legislative body—determine how much cash each company gets.

This comes as no surprise to some Washington insiders. "The hardest dollar to trace is a federal dollar," quips Representative Dick Armey (D-Pa.), who has introduced a bill to scrap the MPP altogether. "A McDonald's could document that we gave them a $465,000 grant. But what has McDonald's done with it? Has there been a net increase in McDonalds's advertising? Has that increase in overseas advertising been greater than what it would have been without the grant? That's a very key question.

"If you talk to [MPP fund recipients], either in marketing or in the controller's office, and they refuse to discuss it, then it's pretty hard for you to get that information," he adds. "One of the problems corporate America has to understand is that you can't get your hand in Uncle Sam's pocket without reckoning up to the taxpayer."

And when word hit the street about the Japanese underwear scandal, there was plenty of reckoning to be done.

SELLING SKIVVIES IN SAPPORO

Perhaps the biggest blow to the MPP was the news that the USDA spent $1 million in 1991 to help sell *Japanese* underwear—*to the Japanese*.

Here's how it happened. The Cotton Council Int'l (CCI) used MPP funds to produce TV ads promoting American cotton. At the end of each ad, Gunze underwear (a Japanese brand) was identified as a product containing American cotton. In return, Gunze ads mentioned that its underwear was made from American cotton, and each package carried the Cotton USA logo. Although no money actually changed hands, the CCI spent $1 million to produce its ads and purchase ad time on Japanese TV.

Naturally, this arrangement didn't sit well with some. As Senator Daschle pointed out, if Americans found out that the U.S. government was subsidizing Honda's car manufacturing, "there'd be a firestorm" of criticism. There was indeed plenty of criticism. The CCI, however, stood its ground.

"Unfortunately, the articles [that have appeared in newspapers] to date have been trying to be headline-grabbers and aren't too concerned with the marketing rationale behind the CCI's involvement in the MPP. What the press goes straight to is, 'Hey, a big company received some support, isn't that terrible,'" said CCI executive director K. Adrian Hunnings.

What wasn't stressed in the news coverage, says Hunnings, is the fact that, as a result of CCI involvement,

> "The MPP allows companies to spend what they need to in order to become known in a market."

Gunze requires that 95% of the yarn used in its products come from the U.S. (on average, yarn processed in Japan is comprised of only 50% American cotton). In the past two years, Japanese spinning mills have bought $60 million worth of U.S. cotton to satisfy Gunze's requirements.

In addition, over the five-year period that the CCI participated in the MPP (and its predecessor, the Targeted Export Assistance program), U.S. cotton exports increased from an average of 5.3 million to 7 million bales. "Much of this can be attributed to the MPP," notes Hunnings.

AND NOW, FOR THE DEFENSE

In the wake of the Gunze brouhaha, other trade organizations have weighed in with their own defense of the MPP. Bruce Andrews, president of the Western U.S. Agricultural Trade Assn., recently told a U.S. Senate Committee that among companies receiving MPP funds from the four regional agricultural associations he represents, exports increased by $178 million in 1990 and $395 million in 1991. The money helped sing the praises of more than 140 products, from apples to zucchini, in 65 countries, and created an estimated 36,000 new jobs here at home. Moreover, these associations limited the amount of aid any one company could receive to $79,000.

Another group, the Kentucky Distillers Assn., contends that the MPP has been instrumental in prying open markets for American bourbon. "Bourbon, while widely known in the U.S., is somewhat novel in most countries," says Ed O'Daniel, the association's president. "MPP provides the bourbon industry with an opportunity to make inroads into new markets that weren't previously available to us. And it has been successful. Bourbon sales have been increasing rapidly over the last five or six years, and about twenty-five percent of all bourbon now goes into the export market." Ten years ago, the demand overseas for American bourbon was "negligible," says O'Daniel.

Susan Smith, vice president of public and legislative affairs for the Chocolate Manufacturers Assn., sees the MPP as essential for helping the little guy break into foreign markets. "Some of our companies have to spend a lot of money overcoming other barriers, such as tariffs and transportation costs," she says. "By the time they end up doing all that, they really don't have much money left over for advertising. This has been especially true in Japan and Korea."

Smith adds that since smaller U.S. companies have a particularly hard time competing with well-known local products, "the MPP allows these companies to spend what they need to in order to become known in a market. Advertising a branded product and getting it known is the name of the game in the confectionery market."

And, of course, the USDA mounted its own statistical defense, asserting that the MPP boosts exports by anywhere from $400 million to $1.4 billion a year. Still, the USDA's Kallemeyn admits these numbers are at best a rough estimate: "There's definitely a multiplier effect [with the MPP], but I'll tell you, to quantify those things is a tough thing to do."

R.I.P. MPP?

As for the future of the program, it's pretty much anybody's guess at this point. The Senate Agriculture, Nutrition, and Forestry Committee has scheduled hearings throughout the remainder of the year to examine the MPP and other USDA programs. In addition, a bill proposing numerous reforms has been introduced. Changes outlined include:

- Limiting the size of companies allowed to participate to those earning *under* $500 million a year.
- Placing a cap on the amount any company can receive.
- Requiring that the products advertised be processed in the U.S. and made of at least 50% U.S. materials.
- Examining whether the U.S. should be promoting products that have been proven to be harmful to human health. (Some $12.5 million has been spent to promote the sale of tobacco products since 1986 through the MPP and the Targeted Export Assistance program.)

The bottom line is that these reforms would knock out roughly 80% of the largest companies in the program, according to Representative Peter Kostmayer (D-Pa.). "We would really gear it toward small U.S. companies, as opposed to large multinational corporations," he says. "I'm dubious about taxpayers subsidizing multinational corporations to advertise their products overseas where they could be using their own dollars to do that."

Some legislators are more extreme in their views of MPP. "We'll scrap that program," vows Representative Armey. "The light of day is going to shine on this program, and no member [of Congress] is going to want it to shine on him along with it. The MPP won't stand up under scrutiny."

Proposed changes to the program include placing a cap on the amount any company can receive.

Although it's hard to say at this point what changes will be made—or whether the program will survive at all—the MPP's fate now rests with Congress. Says the Chocolate Manufacturers Assn.'s Susan Smith: "It depends on what Congress wants—and what the public wants—the purpose of the program to be. People have their own agendas. Representative Kostmayer seems to want to involve more small and medium-sized companies. There are others who want to see more promotion of high-value products. In my view, there's no doubt that big companies are the ones that will be able to make the real impact on exports, and it seems that this is a major goal Congress has established for the program. If that's not what Congress wants, then they need to change the way they draft the bill."

Whichever side you come down on, this much is certain: When legislators like Representative Wyche Fowler Jr. (D-Ga.) charge that MPP stands for "more perks, please," proponents of the program face a long, tough battle. ❖

Survey **Datafact**

SUPPORTING THE SALES-SUPPORT STAFF

While the average compensation for a sales-support supervisor jumped 13.7% between the years 1990 and 1991 (from $36,087 to $41,038), the average compensation for a sales-support employee rose only 1% (from $18,681 to $18,873).

SOURCE: S&MM'S *1992 Sales Manager's Budget Planner.*

INFORMATION MANAGEMENT: A MOUNTAIN-CLIMBER'S GUIDE

An automated decision-support system can help your company scale the heights of today's mountainous market data.

BY SAM GILBERT

COMSTOCK

Don't look back, someone might be gaining on you."

That's the advice venerable baseball pitching legend Satchel Paige was known to dispense whenever he was asked about the secret to his longevity. And although "ol' Satch" faced his last batter many seasons ago, his simple adage still rings true, especially in a business climate where the only two certainties are competition and more competition.

In fact, it might be said that those who hope to emerge unscathed from the current recession will have to concentrate virtually all their resources and energies on gaining and maintaining a competitive advantage, and for sales and marketing executives that means finding—and keeping—loyal and profitable customers.

Over the course of the last decade, this often daunting task has been made easier by the increasing availability and quality of market information. Lately, however, some managers are finding that too much of a good thing has its drawbacks—these days, data overload is becoming all too common in the realm of sales and marketing.

Therefore, it's crucial that you, as a decision maker, find easy-to-use techniques that can help make sense of this vast mountain of information, identifying opportunities consistently and reliably. Furthermore, it's also essential that you be able to convey that information to all the necessary parties—from the CEO to the novice salesperson—both clearly and concisely.

A tall order, to be sure. Still, many business marketers have taken up the challenge, turning to innovative automated solutions designed to combat information overload. These programs—most often called "decision-support systems"—are interactive, PC-based storehouses of analytical customer and business information that allow users to capitalize on their strategic value and broad-based applications. And although these strategies work best when customized for a specific marketing objective, a number of common features and applications exist.

WHAT'S THE NEED?

To illustrate the power of decision-support systems, consider the following scenario:

The vice president of marketing for an office-equipment supplier is looking to grow the revenue of his core product line. Part of the vice president's responsibility is to obtain and distribute leads to field sales locations that provide basic information such as company name and address, as well as key data elements such as industry, size of company (by employees or sales volume), and the decision maker's name.

The vice president recognizes that even the best lead-generation effort might become derailed without a way to consistently pinpoint the hottest sectors in the marketplace. Using a decision-support system, he can take into account results of previous marketing campaigns (such as historic response rates), as well as the dynamics of the external marketplace (including industry growth trends). This type of system can also point the vice president to a list that's close to ideal—or at least increase the odds of success. It can isolate prospects best suited to the particular offering, display the geographic

distribution of the audience, and identify the sales channel that's currently being used for each specific industry targeted.

As noted above, decision-support systems are very often PC-based and interactive, which allows the user to experiment with different marketing strategies. These might include things like using telemarketing to prequalify leads or running "what-if" scenarios to realign sales territories on the basis of market potential. Such systems also allow sales and marketing executives to conduct campaigns that help increase business while maintaining a degree of consistency and reliability.

GETTING MORE FROM MARKET DATA

Decision-support systems derive their predictive power from their ability to leverage traditional marketing information. These systems have many different components; most are usually customized to reflect the objectives of a particular marketing program. However, there is a common foundation.

Customer information is almost always the starting point. The level of detail required from a "house" file, however, can vary depending on the objective of the marketing campaign. More often than not, very little account information is needed to produce powerful results.

For instance, if a marketer needs to target his message to the most profitable segments, some historical measure of account value is needed. It can be measured in terms of annual sales or number of units shipped. If a direct marketer is interested in targeting the most responsive audience, then a system should include some information on past campaigns, including a list of buyers and the mailings they responded to.

Business information also fuels the system. List compilers can typically provide a wealth of descriptive information about specific establishments in the business universe. The trick here is to pinpoint the right information for the specific type of marketing application.

Consider, for example, a system to predict ad campaign responsiveness. Its success depends on its ability to consistently and reliably distinguish prospects likely to respond from those who will not. Experience tells us that the more information used to predict the differences in buying behavior, the more successful the system. Typical information here might include line of business, payment performance, company size, growth trends, age of company, office location, and population density.

Specialized markets information is another key (although optional) system component. This is especially useful to a company interested in a sector of the economy where site-specific information is traditionally hard to come by. Highly specific information on a targeted sector of the economy often gives marketing campaigns an extra boost. For instance, a reseller of long-distance services needed to direct its message to those businesses that showed the greatest demand for this service. And while information on long-distance spending is collected by survey research firms, only a small portion of U.S. businesses are covered in this data.

Demographics, finally, add further predictive power to the decision-support system. This includes factors normally associated with consumer models, including household income and employment levels, among other things.

SYSTEM LINKAGES

Now the problem: Once assembled, these four general components can produce—without much effort at all—information overload. Even a small customer file, in fact, can comprise thousands of cases. Add to this an array of statistics on millions of U.S. businesses, and the result is a mind-boggling batch of data. What's needed, obviously, are system linkages that will allow you to create one cohesive set of data in order to make sense of it all.

"Information overlay" is a necessary first step. This process physically links each component to create a mas-

SUPPLEMENT HIGHLIGHT

The Nation's Top 25 Manufacturing Industries

SIC	INDUSTRY	SHIPMENTS ($ MIL.)	TOTAL EMPLOYMENT
3714	Motor vehicle parts & accessories	$49,388	526,255
2834	Pharmaceutical preparations	34,504	285,888
3571	Electronic computers	33,680	257,944
2752	Commercial lithographic printing	33,330	479,976
3089	Plastics products, n.e.c.	33,110	419,342
3721	Aircraft manufacturing	27,597	338,570
2621	Paper mills	26,895	208,772
3711	Motor vehicle & passenger car bodies	26,054	250,510
3674	Semiconductors & related devices	24,509	236,673
3312	Steel works & blast furnaces	23,896	254,505
2911	Petroleum refining	23,176	185,766
2711	Newspaper publishing & printing	20,926	462,300
2015	Poultry slaughtering & processing	20,009	180,578
3599	Industrial machinery, n.e.c.	18,777	301,784
3663	Radio & TV communications equipment	18,742	187,950
3812	Search, navigation & guidance systems	17,903	195,683
3724	Aircraft engines & parts	17,758	196,734
2721	Periodical publishing & printing	17,516	175,219
3577	Computer peripherals, n.e.c.	17,103	136,152
2819	Industrial inorganic chemicals	16,997	127,017
3679	Electronic components, n.e.c.	16,166	208,207
2869	Industrial organic chemicals	16,087	119,922
3661	Telephone & telegraph equipment	15,967	137,670
3728	Aircraft parts & equipment, n.e.c.	15,550	180,704
3841	Surgical & medical instruments	14,559	150,925

Note: n.e.c. = not elsewhere classified.

SOURCE: Dun & Bradstreet Information Services; © 1992.

ter data set. Through something called "entity matching," each record in the main file will contain pertinent customer and business information for a particular business establishment. Once created, the master file sets the table for further analysis.

Step two involves "information modeling," actually a catchall for many different types of statistical processes, all of which contain one overriding objective: to make sense out of many disparate pieces of information.

From relatively simple tabulations to sophisticated regression modules, these processes weave together individual threads of information to create an analytical "tapestry." By quickly and consistently sifting through millions of individual pieces of information, all of these systems have supported numerous varieties of marketing applications.

To the sales and marketing executive responsible for growing his or her business profitably, decision-support systems will help find those relatively few good prospects. The following three types of systems will assist you in raising the odds of identifying prospects that will eventually turn into customers.

■ **Market segmentation systems** are intended, in part, to locate niches that offer the greatest revenue potential for a company's services. Why is a system needed for this? Well, unless a company is geared to producing goods or services targeted to a well-defined user base (such as textile mill operators), the process of locating markets with the highest potential can be an involved and often unrewarding, as well as frustrating, task.

A more typical scenario is the case of an office-equipment supplier that can potentially claim customers in almost every sector of the U.S. economy. With a diverse customer base numbering in the thousands (and with limited marketing resources), finding the relatively few pockets of opportunity for this company is almost the equivalent of the search for the proverbial needle in a haystack.

By capitalizing on the value of a customer database, segmentation techniques can provide unprecedented clarity to the data. By first overlaying business data and then applying clustering procedures to a business's customer base, these systems can pinpoint the relatively few industries that drive a company's revenue. Once these top markets have been isolated, the prospects that most resemble top customers can be easily identified and pursued.

These dynamic systems—which can prioritize segments based on factors such as the likelihood of closing a sale and the historic productivity of customers in that niche—can even run "what-if" scenarios, which take into account changing market conditions such as a competitor's inroads into a particular segment. What they have in common is the ability to provide quick and reliable answers, whether in easy-to-use management reports or more sophisticated interactive software packages.

The ability to prioritize prospects by market potential brings a host of benefits. The major advantage is a careful allocation of sales and marketing resources. For instance, a marketer can distribute the best leads to the sales force and leave the "middle tier" to a lower-per-unit-cost direct mail campaign. Also, market potential, when calculated for each sales territory, plays a pivotal role in setting sales quotas equitably. Finally, for a company that markets many different products or services, finding the best prospect pool for each will uncover opportunities for cross-selling and vertical marketing efforts.

■ **Response modeling systems** can take a bird's-eye view of the marketplace once the most promising segments are clearly identified. The objective here is to help pinpoint with even greater accuracy the individual establishments that will respond positively to a particular marketing campaign. With mailing and processing costs constantly increasing, direct marketers need to be more judicious than ever in deciding which prospects will get their message. ►

SUPPLEMENT HIGHLIGHT

The Nation's Top 25 Non-Manufacturing & Service Industries

SIC	INDUSTRY	RECEIPTS ($ MIL.)	TOTAL EMPLOYMENT
8062	General medical & surgical hospitals	$236,576	4,169,587
8211	Elementary & secondary schools	207,529	5,543,955
8221	Colleges & universities	126,749	2,038,621
4911	Electric services	119,475	565,187
8011	Offices & clinics of medical doctors	111,517	1,334,158
8111	Legal services	82,052	1,104,884
6531	Real estate agents & managers	74,586	962,684
6411	Insurance agents, brokers & services	73,905	1,149,629
7389	Business services, n.e.c.	72,989	926,322
7011	Hotels & motels	62,231	1,565,345
4813	Telephone communications	58,752	485,608
8711	Engineering services	56,510	769,315
6021	National commercial banks	55,859	884,580
4213	Trucking	53,952	670,013
8741	Management services	49,254	589,398
6211	Security brokers & dealers	46,170	458,218
8742	Management consulting	39,588	429,921
6022	State commercial banks	38,904	616,076
8661	Religious organizations	35,702	803,465
8721	Accounting, auditing & bookkeeping	33,808	655,174
6331	Fire, marine & casualty insurance	32,061	514,035
6512	Operators of nonresidential buildings	30,198	377,709
7363	Help supply services	29,948	301,406
8731	Commercial phys. & biological research	29,523	356,818
6311	Life insurance	28,551	457,760

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SOURCE: Dun & Bradstreet Information Services; © 1992

The advantage of a response model, like the segmentation technique outlined above, is that it leverages the value of customer information—in this case, the history of a past marketing campaign. It does this by overlaying and examining the wealth of business information that may yield any number of clues. While the analytical techniques applied here are extremely sophisticated, the output is easily interpreted.

For each prospect record, a score is created that indicates the probability of receiving a favorable response. Prospects can then be prioritized and selected on the basis of the resulting score. The single score will ensure that marketing executives never have to sift through stacks of output to select the "right" list.

Also, by targeting mailings to high-return respondents, companies can instantly cut acquisition costs. This is done through a strategy of mailing more to a well-defined audience, or making more profit on current volume. For companies that traditionally make extensive use of buyers' lists, response models offer an unparalleled degree of selectivity in the ability to find the right audience.

■ **Credit prescreening**—a natural companion to the other decision-support systems—is designed to reduce the risk of delinquency when prospecting new firms. As noted above, market segmentation uncovers niches with the highest revenue potential, and response models result in targeting audiences that are most likely to respond positively. However, even the best marketing efforts will go awry if potential deadbeats come knocking at the door.

Credit prescreening, which helps to reduce the exposure of prospecting lists, allows marketers to realize a better return on their investment by reducing "wasted" promotional packages sent to companies with a high risk of delinquency potential. The cost per sale is reduced—and profitability is therefore increased—as salespeople make fewer calls to accounts that either can't afford to make the purchase or may require additional collection follow-up efforts.

As part of a direct mail campaign, credit terms can be tailored according to the type of audience. For instance, the group with least risk can be offered more favorable terms. The riskier the group, the more stringent the credit conditions that might be imposed. By using this innovative approach, a reduction in both marketing and credit costs is achieved.

SUPPLEMENT HIGHLIGHT

Top 25 Counties in Manufacturing Activity

COUNTY/STATE	TOTAL SHIPMENTS ($ MIL.)
Los Angeles, CA	$71,314.1
Cook, IL	46,967.1
Santa Clara, CA	31,005.6
Orange, CA	24,770.6
New York, NY	24,022.8
Harris, TX	23,054.2
Dallas, TX	21,454.6
Cuyahoga, OH	17,727.2
Middlesex, MA	17,511.3
Wayne, MI	17,133.1
San Diego, CA	16,965.8
Maricopa, AZ	14,462.4
Hennepin, MN	14,273.5
Hamilton, OH	12,558.4
Fairfield, CT	11,481.9
Milwaukee, WI	11,182.4
King, WA	10,418.3
Bergen, NJ	10,403.8
Macomb, MI	10,375.7
Tarrant, TX	10,163.8
Hartford, CT	10,077.5
Oakland, MI	9,299.2
Alameda, CA	9,184.8
Middlesex, NJ	8,917.5
Marion, IN	8,838.0

SOURCE: Dun & Bradstreet Information Services; © 1992.

HOW IT CAN WORK FOR YOU

Maintaining an edge in today's unfriendly economic climate calls for the kind of creativity that can result in innovative solutions. So far, we've seen that raw data can be transformed into decision-support systems that help raise the odds of finding the highest-quality prospects, turning them into loyal and profitable customers. However, these systems aren't intended to be used indiscriminately. To work best, they must be developed so that they fit seamlessly into a company's overall business environment. In other words, to achieve successful results, careful consultation with the system's provider is needed at every step.

It's also crucial for a company introducing any such system to implement it carefully. For instance, leads generated from a market segmentation analysis may reflect new niches that represent unfamiliar terrain to the company's sales force. Consequently, these leads may be discarded unless some effort is made by management to ensure that they will be used. Well-defined sales incentives, for example, might be built into a lead-generation program. Or telemarketing may be used to qualify these leads before placing them in the hands of an unsuspecting and perhaps unknowledgeable or ill-equipped sales force.

Finally, let's not forget that few things are as irrelevant as yesterday's news. Given this, it's important for a company to make sure that any demonstrated results—positive or otherwise—are monitored carefully and fed back into the decision-support system. Even the most successful response model, for example, can be improved further if updated marketing campaign information is regularly included in the system. And as far as credit prescreening goes, the drastic changes taking place in business would suggest that today's good prospects may become tomorrow's credit risks.

As a hi-tech tool for business-to-business marketers, decision-support systems are transforming the world of data analysis by leveraging the value of marketing information. With the need for data increasing simultaneously with its availability, these systems offer a whole new world of opportunity for the busy sales and marketing executive. ❖

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